

## THREE TO FIVE DAYS PRIOR

### OVERVIEW

During this time frame, a profile of the financial institution is developed through a review of documentation available through FDIC documents and information received from the financial institution. This profile will provide the examiners conducting the examination with an understanding of the financial institution and its community. In addition, the examiners will be aware of issues to be investigated during the examination.

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### TELEPHONE CALL TO THE FINANCIAL INSTITUTION

This call should be made as early as possible in the PEP process to provide institution management sufficient time to prepare for the beginning of the on-site portion of the examination.

Call the Financial Institution
<i>NOTE: If concurrent examinations are being conducted, this call should be coordinated with DOS. Ensure coordination with DOS personnel has occurred concerning concurrent examinations.</i>
1. Inform financial institution management of the examination start date.
2. Schedule an entrance meeting with persons responsible for the management of compliance and CRA, such as the president, the compliance and/or CRA officer, any other personnel identified by financial institution management.



**TELEPHONE  
CALL TO THE  
FINANCIAL  
INSTITUTION  
(cont'd)**

3. Obtain operating hours, directions to the financial institution, and make any other arrangements, as necessary.

**PEP  
PROCEDURES**

**Review the Following and Summarize Findings  
in the PEP Memorandum**

**Compliance Examination Report(s)**

1. Review the most recent Compliance Examination Report(s), both FDIC and State, and any visitations, to determine, at a minimum, the following:
  - Number of examiners
  - CRA and Compliance examination hours
  - CRA and Compliance ratings
  - The overall condition of the financial institution's compliance and CRA programs

*NOTE: Determine if there are major weaknesses, and the reasons given.*

  - Previous recommendations made for improvement
  - Areas where systemic violations were noted and the reasons given

**Correspondence**

2. Review compliance and safety and soundness correspondence to identify and become familiar with the following, as applicable:
  - Consumer complaints received since the previous compliance examination (Nature and Volume)
  - Institution management's response to the previous compliance examination
  - Applications in process
  - Openings and closings of branch locations



**PEP  
PROCEDURES  
(cont'd)**

- Changes in organizational structure (mergers, holding company, etc.)
- Changes in management
- Formal and informal enforcement action(s) outstanding, effective date, and compliance with such (through the review of progress reports)

**Data Requested From the Financial Institution**

3. Analyze information obtained from the financial institution in response to the CIR and, if applicable, the CDR.

*Refer to the Two Months Prior To Scheduled Examination section for details.*

**Safety and Soundness Examination Report and Reports of Condition and Income**

4. Obtain the most recent FDIC or State safety and soundness CAMEL and composite ratings through either:
- Banking Information Tracking System (BITS) – "Examination Data" field. BITS may be accessed through the FDIC's database
  - The most recent safety and soundness examination report

5. Enter this data on the PEP Memorandum Data Sheet (Attachment A).

6. Also from BITS, review the most recent Report of Condition and Income and enter the following data on the PEP Memorandum Data Sheet:
- Total deposits
  - Gross loans
  - Loan portfolio mix
  - Loans-to-assets and loans-to-deposits ratios
  - Quarterly averages
  - Other information, as appropriate



**PEP  
PROCEDURES  
(cont'd)**

**Uniform Bank Performance Report (UBPR)**

7. Analyze the data and trends relating to:

- Total assets
- Gross loans
- Loan portfolio mix
- Loan-to-assets and loans-to-deposits ratios
- Other areas, as appropriate

**Additional Sources of Information**

8. Review information received from the financial institution identifying the delineated community(ies) or assessment area(s), including census tracts or block numbering area designation(s).

9. Review other available demographic data received from the financial institution.

The following are examples of demographic data that might be reviewed:

- Median family income
- Percent owner-occupied households (by race)
- Number of persons (by race)
- Percent population (by race)

*NOTE: Additional demographic data may be available from the Regional Office, CAP staff, and in the field office in hardcopy or Lotus spreadsheet form.*

10. Obtain information from the following sources:

- HMDA Disclosure Statements
- HMDA Metropolitan Statistical Area (MSA) Aggregation Reports
- Federal Reserve Board (FRB) Analysis Reports
- HMDA Late Reporter Listing
- Community Contact Forms
- Demographic Data

11. Request Regional Office assistance to obtain HMDA reports, if necessary.



**PEP  
PROCEDURES  
(cont'd)**

The DCA Washington Office provides the following data to the Regional and DCA field offices on CD-ROM:

- Financial Institution HMDA-LARs, Transmittal Sheets, and Disclosure Statements
- MSA Aggregation Reports

DCA Washington Office provides the HMDA Late Reporter Listings to the Regional Offices. The Regional Offices will distribute the late reporter listings to the field offices.

12. Review, at a minimum, the HMDA Disclosure Statements during PEP for all applicable financial institutions.

*NOTE: Review these reports early in the PEP process to determine if FRB HMDA Analysis Reports should be ordered and reviewed.*

13. Consult the Regional Office and Community Affairs Program (CAP) staff for assistance in analyzing HMDA data, particularly when the financial institution is:
  - A large HMDA reporter (more than 100 LAR lines filed)
  - Has significant HMDA reporting problems
  - Further analysis is required after the review of the HMDA Disclosure Statements

**COMMUNITY  
CONTACT  
INTERVIEWS**

**Conduct Community Contact Interviews**

1. Conduct Community Contact(s), if feasible, based on geographic distances and contact(s) schedules.

If conducting contact(s) during PEP is not feasible, schedule the contact(s) early in the on-site examination.

2. Detail contacts made or reviewed that were previously conducted and summarize information contained therein.



**PEP  
MEMORANDUM**

The PEP Memorandum, at a minimum, will detail the items under Scope of the Current Examination, below, as well as summarize the findings of the review of the:

- Compliance Examination Report(s)
- Correspondence
- Safety and Soundness Examination Report and Reports of Condition and Income
- Uniform Bank Performance Report (UPBR)
- Requested data from the financial institution
- Additional sources of information

The information needed for preparing the PEP Memorandum is available from the following sources:

- FDIC Regional Office
- FDIC field office
- FDIC database
- Financial institution

*NOTE: The PEP Memorandum should be completed following the review of demographic data and the conclusion of any community contact interviews, if performed during PEP.*

**Scope of the  
Current  
Examination**

Complete and Distribute the PEP Memorandum	
1.	Provide the following information: <ul style="list-style-type: none"> <li>• Projected examination start date</li> <li>• Name of EIC and assisting examiners, if available</li> <li>• Anticipated compliance and CRA examination hours</li> <li>• Proposed number of community contact(s) to be performed</li> <li>• Banking offices to be visited and scope of examination procedures to be performed at those offices</li> </ul>
2.	Identify specific areas to investigate, as applicable: <ul style="list-style-type: none"> <li>• Areas of regulatory concentration resulting from amendments to or the adoption of laws and regulations that became effective since the previous examination</li> <li>• Compliance with outstanding enforcement action(s), informal or formal</li> </ul>



**PEP  
MEMORANDUM  
(cont'd)**

<ul style="list-style-type: none"> <li>• Review of consumer complaints</li> <li>• (Additional) HMDA analysis to be performed</li> <li>• Truth in Lending reimbursement file search validity, calculation accuracy, and verification of disbursement</li> </ul>
<p>3. Distribute a copy of the PEP Memorandum as follows:</p> <ul style="list-style-type: none"> <li>• EIC and assisting examiners</li> <li>• Field Office Supervisor</li> <li>• Examination workpapers</li> </ul>

**Sample Outline  
for PEP  
Memorandum**

<b>COMPLIANCE EXAMINATION Outline for Pre-Examination Planning Memorandum</b>	
1.	Briefly summarize the findings obtained through the pre-examination planning process. Discuss the following, as applicable:
<b>A. Last Examination</b>	
	<ul style="list-style-type: none"> <li>• Strengths and weaknesses along with corresponding recommendations concerning the financial institution's compliance posture</li> <li>• Strengths and weaknesses along with corresponding recommendations concerning the financial institution's CRA performance</li> </ul>
<b>B. Interim Period Between Examinations</b>	
	<ul style="list-style-type: none"> <li>• Changes in management</li> <li>• Changes in organizational structure</li> <li>• Concerns identified through community contacts</li> <li>• Consumer complaints</li> <li>• Informal or formal enforcement action(s), if any</li> <li>• Corrective actions taken</li> </ul>



**PEP  
MEMORANDUM  
(cont'd)****Sample Outline  
(cont'd)****C. Current Examination**

- Proposed scope of examination
- Issues to be investigated or areas to be targeted
- Areas where only limited testing is deemed necessary

**MATERIALS  
FOR ON-SITE  
EXAMINATION****Prepare Materials for the On-site Visit**

1. Assemble the following materials to take to the financial institution:
  - Materials developed in pre-examination planning, including the PEP Data Sheet and Memorandum (See the Sample Documents section)
  - Prior Compliance Examination Report(s)
  - Correspondence file
  - Prior examination workpapers



**FDIC LAW,  
REGULATIONS,  
& RELATED  
ACTS**

**Applicable Rules** None

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**Advisory  
Opinions** None

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**Statements of  
Policy** None

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**DCA  
MEMORANDA**

Examination Procedures for Verifying Truth in Lending Restitution  
Disbursements, Transmittal #DCA-96-005, dated 1/19/96

Pre-Examination Planning (PEP) Procedures, Transmittal No. DCA-96-013,  
dated 1/31/96

Regional Manager Memorandum, Community Contacts and Community  
Reinvestment Act, Transmittal #94-35, dated 3/1/94

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**FINANCIAL  
INSTITUTION  
LETTERS (FIL)**

None

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**OTHER**

FFIEC Community Contact Procedures, Community Reinvestment Act  
Examination Procedures -and- Performance Evaluations, "Red Book", Tab K

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